HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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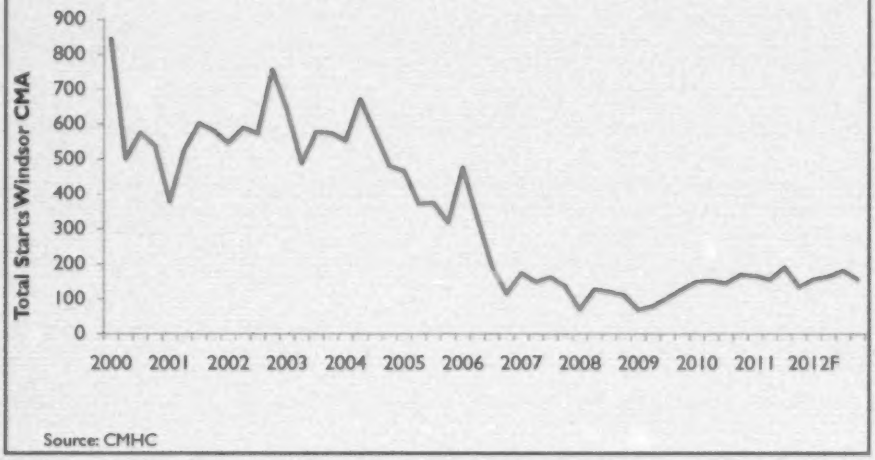
Market at a Glance

- Existing home sales will dip in the fourth quarter of 2011, before rising again in 2012 to levels consistent with the earlier quarters in 2010.
- Housing starts will also drop in the fourth quarter of 2011before experiencing modest growth in 2012.
- The average MLS® price will ease near the end of 2011 and show limited recovery in 2012.

Figure 1

Housing Starts Growth will Moderate



Source: CMHC

* The forecasts included in this document are based on information available as of October 5, 2011.

Table of Contents

1 Market at a Glance

2 Resale Market

3 New Homes Market

3 Local Economy

4 Mortgage Rate Outlook

5 Forecast Summary

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Resale Homes Market

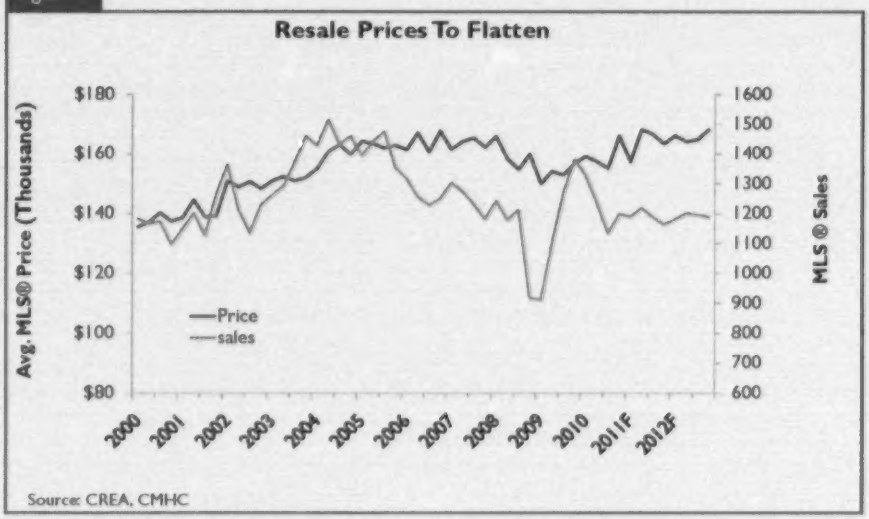
MLS® Sales to show slight decline through 2012

For most of 2011, sales of existing homes have been growing moderately and have remained quite resilient in the third quarter. Slower job growth and continued global economic uncertainty will dampen activity in the next few months. The total sales for 2011 will virtually match 2010 sales. Sales will decline in 2012 below 2011 levels. Many first-time homebuyers completed purchases in early 2010 responding to low interest rates and fueled by the uncertainty of whether they would continue. Consequently, there were fewer first time buyers still looking to purchase in late 2010 and into 2011. There is evidence recently that this pattern is continuing as there has been an increasing percentage of homes sold in higher price brackets. This indicates that a higher percentage of sales are coming from repeat buyers as opposed to first-time buyers.

The very slow job growth and growth in wages will provide limited support for demand of existing homes. Stable home prices combined with recent mortgage rate reductions could entice some first time buyers to purchase early in 2012. The net effect, however, will be a modest reduction in sales in 2012.

Overall, listings in 2011 have been very similar to 2010. The current trend is a very modest increase in listings. Combined with our projection of a modest decrease in sales in 2012, the Windsor CMA market will be in a balanced position, with a chance of moving into a buyer's market classification.

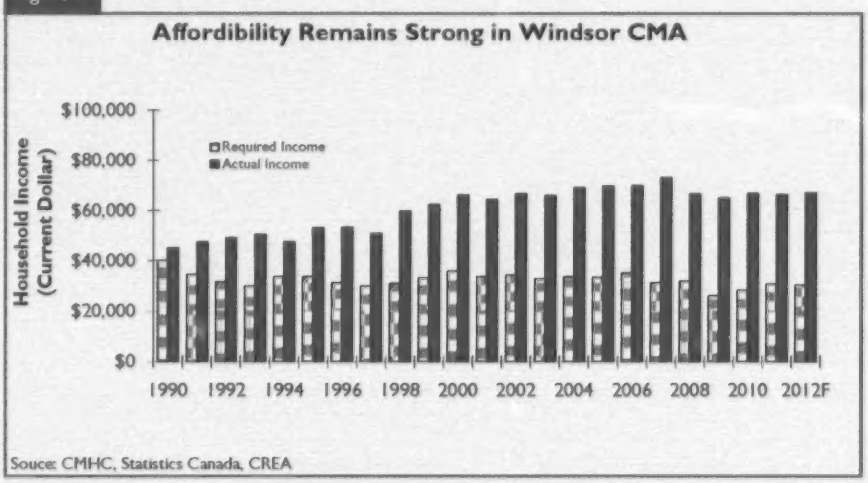
Figure 2



Source: CREA, CMHC

Windsor's average MLS® price has shown more volatility since 2009 than it did before that period. Movements in the proportion of sales within different price ranges have influenced the average price of a resale home. From 2010 to 2011, there has been a significant shift towards purchases of houses in the higher price ranges for Windsor CMA. The price range between $300,000-$400,000 has seen large growth, driven by sales in Lakeshore Township and Lasalle Town. This indicates a larger amount of sales have been coming from repeat buyers in these areas. Repeat buying will continue to capture a larger share of sales in 2012. This movement will create a higher average price in Windsor CMA in 2011 than in 2010.

Figure 3



Souce: CMHC, Statistics Canada, CREA

Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

It will also continue into 2012, with a modest increase in the average price forecast for that year.

New Homes Market

Starts Growth to Temper through 2012

Windsor Census Metropolitan Area (CMA) new residential construction activity in 2012 will continue at the level established in early 2011. Expected starts will be indicative of a fairly balanced housing market. Unlike increases experienced in 2009 and 2010, new residential construction will remain fairly constant due to a moderation in economic conditions, and more choice in the resale market.

A large factor influencing the level of new residential construction is population growth. From 2008 to 2010 the Windsor CMA had the highest levels of interprovincial and intra-provincial out migration in the country. The number of people leaving Windsor CMA, on a net basis, has begun to decrease, but out migration will still remain a reason why the level of residential construction will be restrained through 2012.

New semi-detached housing construction in 2012 will decrease from the levels achieved in 2011. The 2011 starts so far in this category are well above the levels attained in 2010. They were pushed up by the need to replace existing semi-detached housing which was moved to make way for the construction of the Windsor-Essex Parkway.

Townhouse construction will continue to grow through 2012. People in older age brackets are often attracted to this form of housing, as it offers a better fit to their lifestyle with lower maintenance, recreational facilities and other amenities. The Windsor-Essex Retire Here campaign has brought seniors as well their finances to Windsor CMA and will continue to do so in the future. This campaign will help support the growth in town house construction.

New Home Prices Flatten

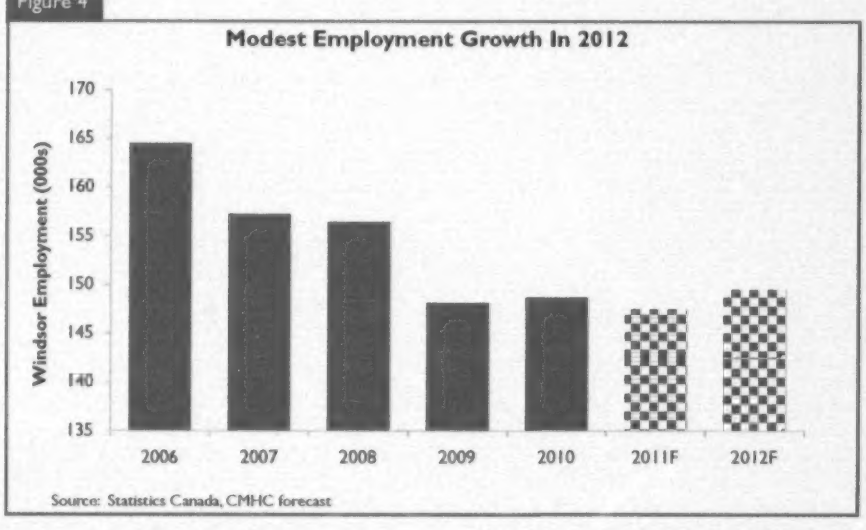
The average price of a newly completed single-detached home has begun to plateau. This comes after a significant increase in the average price in 2010. A large factor which had driven the growth in the average price since 2009 was the composition of new sales. Completions and sales of higher-priced single-detached homes had captured a growing share of demand versus lower priced single detached homes. This growth has begun to subside and will level out through 2012 as big ticket spending generally subsides. Also, home builders will likely hold the line on price increases given more choice in the resale market. The average price of a new home will remain significantly higher than in 2009, however the 2011 and 2012 values will not grow much from 2010. The average sale price of a new home will be about double the sale price of an existing home in 2011 and 2012.

Local Economy

Local investment and infrastructure projects will continue to keep Windsor's unemployment rate below the 10% threshold in 2012. Major developments in the Windsor CMA include the construction of the Aquatic Family Centre and Library in downtown Windsor, as well as work on the Windsor-Essex Parkway. While Windsor CMA still has a high unemployment rate, the rates in 2011 showed a marked improvement to the rates in 2009 and early 2010, which soared to around 15%.

The manufacturing sector within Windsor Essex will continue to experience only minimal growth throughout the remainder of 2011. Year-to-date production at Chrysler's assembly is down moderately and U.S. vehicle sales are likely to remain flat next year given modest US economic growth; the potential for employment growth in this sector is limited. The mould factories in Windsor, which supply moulds to the

Figure 4



automotive industry, are operating at capacity. While this is a positive accomplishment, it leaves little room for growth in manufacturing employment in the near future. While manufacturing employment underwent strong growth in the second half of 2010, it has remained flat through 2011. Nevertheless, by maintaining its level through 2011 and into 2012, the manufacturing sector employment will keep the unemployment rate below 10% through 2012 in the Windsor CMA.

Mortgage Rate Outlook

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

Forecast Summary
Windsor CMA
Fall 2011

	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	4 546	4 661	4 893	4 900	0,1	4 750	-3,1
MLS® New Listings	11 197	10 133	10 058	10 000	-0,6	10 100	1,0
MLS® Average Price ($)	159 709	153 691	159 347	164 600	3,3	166 000	0,9
New Home Market							
Starts:							
Single-Detached	328	303	460	425	-7,6	425	0,0
Multiples	125	88	157	175	11,5	180	2,9
Semi-Detached	22	14	26	50	92,3	30	-40,0
Row/Townhouse	87	68	89	107	20,2	120	12,1
Apartments	16	6	42	18	-57,1	30	66,7
Starts - Total	453	391	617	600	-2,8	605	0,8
Average Price ($):							
Single-Detached	311 852	309 030	326 173	335 000	2,7	333 000	-0,6
Median Price ($):							
Single-Detached	289 000	280 000	300 000	305 000	1,7	305 000	0,0
New Housing Price Index (% chg.)	0,4	0,1	-0,8	-2,6	-	0,5	-
Rental Market							
October Vacancy Rate (%)	14,6	13,0	10,9	9,5	-1,4	8,5	-1,0
Two-bedroom Average Rent (October) ($)	772	747	752	757	-	760	-
Economic Overview							
Mortgage Rate (1 year) (%)	6,70	4,02	3,49	3,60	-	3,56	-
Mortgage Rate (5 year) (%)	7,06	5,63	5,61	5,42	-	5,43	-
Annual Employment Level	156 400	148 100	148 700	147 500	-0,8	149 500	1,4
Employment Growth (%)	-0,5	-5,3	0,4	-0,8	-	1,4	-
Unemployment rate (%)	9,3	13,8	11,5	9,7	-	9,1	-
Net Migration	-2 880	-2 334	-2 297	-2 000	-12,9	-1 500	-25,0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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